

# BUDGET LETTER

	NUMBER: 96-24
SUBJECT: SECTION 11.00 - INFORMATION TECHNOLOGY CONTRACTS	DATE ISSUED: DECEMBER 18, 1996
REFERENCES: BUDGET ACT OF 1996 (CHAPTER 162, STATUTES OF 1996)	SUPERSEDES:

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

## Purpose

Pursuant to Section 11.00 of the 1996 Budget Act, certain information technology contracts and contract amendments must be reported to the Legislature. The reporting must be made prior to processing/signing a contract that exceeds specific dollar thresholds approved for the project.

Section 11.00 is the Legislature's means of being informed of information technology contractual agreements under consideration that will continue beyond the current and budget year and may necessitate budget augmentations and/or redirections in future years which are not currently reflected. This mechanism allows the Legislature an opportunity to review such future funding augmentation commitments before they are made.

It is each department's responsibility to determine whether a project meets the Section 11.00 reporting requirements. If for any given project the reporting requirement is not clear, the department should err on the side of caution and notify the Department of Finance (DOF). After review and approval, the DOF will notify the Legislature. Departments should be aware of the possible consequences of entering into an information technology contract or contract amendment that requires notification without providing such notification. If notification is not provided, and the Legislature later determines that notification should have been given, the project and its funding may be at risk.

## Reporting Requirements and Applicability Test

This new section requires DOF approval and 30-day notification to the Joint Legislative Budget Committee and the fiscal committees prior to a state department entering into information technology contracts or contract amendments where all of the following criteria are met:

- 1) The budgeted cost of the project has been approved or will be requested, through the budget process or through any bill that appropriated, or will appropriate funding.

- 2) The total increase in project cost
  - a) is \$500,000 or greater; OR
  - b) represents a 10 percent increase in total project costs that exceeds \$100,000.
- 3) A future year increase in the budgeted cost is required to cover the cost of the contract and the increased cost is not identified in a current year notification/modification submitted to the Legislature (i.e., Section 26.00, Section 27.00, Section 28.00 or Section 28.50), or a budget year augmentation submitted to the Legislature (i.e., Finance Letter).

These criteria apply to any information technology contract or amendment or combination of contracts and amendments that would result in a total project increase. This is applicable whether the increase occurs in fiscal year 1996-97 or any subsequent fiscal years.

To determine the applicability of Section 11.00 for contract transactions, an Applicability Test is included as Exhibit 1. Each state department is responsible for determining applicability and submitting the necessary information to the DOF if the contract transactions must be reported under the requirements of Section 11.00.

### **Submittal to DOF**

To report transactions subject to Section 11.00, departments are required to complete and submit to your DOF Technology Investment Review Unit Analyst two copies of the form Section 11.00 Application (included as Exhibit 2), and two copies of the completed Applicability Test. The Application Form will serve as an attachment to a transmittal letter to the Legislature prepared by DOF following review and approval of the application.

The Section 11.00 Applicability Test and Application Forms are available on-line using the Word (6.0) file from the DOF Budget Letter Home Page on the Internet (<http://www.dof.ca.gov/html/budlettr/letters.htm>) or by obtaining a floppy disk from your DOF budget analyst.

If you have any questions, please contact your DOF budget analyst..



Carl Rogers  
Program Budget Manager

Attachments

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**SECTION 11.00  
APPLICABILITY TEST**

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Are you considering a contract or contract amendment? Is this contract transaction associated with an information technology project? If the answer to both these questions is yes, then you must carefully review the following Applicability Test to determine whether this transaction requires approval by the Department of Finance and 30-day notification to the Legislature under the terms of Control Section 1.00 of the Budget Act.

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|--|-------------------------------|------------------------------|
| 1. Is the department subject to Department of Finance review and approval of its budget?   | Yes: <input type="checkbox"/> | No: <input type="checkbox"/> |
| 2. Is the department subject to Department of Information Technology oversight of information technology activities?   | Yes: <input type="checkbox"/> | No: <input type="checkbox"/> |
| 3. Was funding for this project approved or will funding for this project be requested through the budget process or any bill that appropriated or will appropriate funding? | Yes: <input type="checkbox"/> | No: <input type="checkbox"/> |
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If you answered **NO** to items #1, #2 or #3, no reporting is required for this contract transaction under Control Section 11.00 of the Budget Act. You may skip the remainder of this Applicability Test.

If you answered **YES** to **all three** items (#1, #2 and #3), your department must comply with Control Section 11.00. Continue with this Applicability Test.

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| 4. Does the department intend to process a contract or contract amendment in the current fiscal year that is part of an information technology project? (Note: This test is to be applied to the signing date of the contract or contract amendment, regardless of the fiscal year in which the funding is needed/or available.) | Yes: <input type="checkbox"/> | No: <input type="checkbox"/> |
|--|-------------------------------|------------------------------|
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If you answered **NO** to item #4, no reporting is required for this contract transaction under Control Section 11.00 of the Budget Act. You may skip the remainder of this Applicability Test.

If you answered **YES** to item #4, continue with this Applicability Test.

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| 5. Will the increased budgeted cost of this contract or contract amendment in current year, budget year and <b>out-years</b> be specifically identified in a budget document submitted to the Legislature during the current fiscal year (i.e., Section 26, Section 27, Section 28, Budget Change Proposal, Finance Letter)? | Yes: <input type="checkbox"/> | No: <input type="checkbox"/> |
|--|-------------------------------|------------------------------|
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If you answered **YES** to item #5, no reporting is required for this contract transaction under Control Section 11.00 of the Budget Act. You may skip the remainder of this Applicability Test.

If you answered **NO** to item #5, continue to respond to the following items related to the information technology project associated with the contract or contract amendment.

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| 6. What is the total approved project cost in the most recent Feasibility Study Report (FSR), Special Project Report (SPR) or equivalent document for this project? (From this item on, report all costs in <b>thousands of dollars</b> .) | \$: |
| 7. Provide the following identifying information and approval reference data regarding   |     |
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STATE OF CALIFORNIA  
DEPARTMENT OF FINANCE  
DF-11a  
(Revised 12/96)

the project:

Project Title: \_\_\_\_\_

Project Number: \_\_\_\_\_

DOIT-approved SFR or SPR

Date: \_\_\_\_\_

DOF/TIRU-approved funding of FSR or SPR

Date: \_\_\_\_\_

Department-approved (delegated) FSR or SPR

Date: \_\_\_\_\_

8. Is this a new contract? Yes: ☐ No: ☐
9. If you answered **YES** to item #8, what is the total amount of this new contract? \$: \_\_\_\_\_
10. What is the total amount of all new contracts associated with this information technology project since the last approved FSR or SPR? (prior to this change) \$: \_\_\_\_\_
11. Is this a contract amendment? Yes: ☐ No: ☐
12. If you answered **YES** to item #11, what is the total amount of this contract amendment? \$: \_\_\_\_\_
13. What is the total increase in the dollar amount contained in all contract amendments for this information technology project since the last approved FSR or SPR? (prior to this change) \$: \_\_\_\_\_
14. What is the total amount of all contracts and contract amendments (Item #10 plus Item #13) associated with this information technology project since the last approved FSR or SPR? (prior to this change) \$: \_\_\_\_\_
15. Is the dollar amount from item #14 greater than \$500,000? Yes: ☐ No: ☐

If you answered **YES** to item #15, you have determined that your transaction requires approval by the Department of Finance and 30-day notification to the Legislature under Control Section 11.00 of the Budget Act. You have completed this Applicability Test.

If you answered **NO** to item #15, continue with this Applicability Test.

16. Is the dollar amount from item #14 greater than \$100,000? Yes: ☐ No: ☐
17. Multiply the total approved project cost from item #6 times 10 percent (10%). \$: \_\_\_\_\_
18. Is the dollar amount from item #14 greater than the dollar amount from item #17? Yes: ☐ No: ☐

If you answered **YES** to item #16 and item #18, you have determined that your transaction requires approval by the Department of Finance and 30-day notification to the Legislature under Control Section 11.00 of the Budget Act. You have completed this Applicability Test.

If you answered **NO** to item #16 or item #18, or both, you have determined no reporting is required for this transaction under Control Section 11.00 of the Budget Act.

**SECTION 11.00 APPLICATION**  
**Information Technology Contracts**  
**(Instructions follow.)**

<b>A</b>	Department:	Date	Item No./Fiscal Year	
<b>B</b>	Project Title/Description:	Date of initial DOIT project approval:	Date last project amendment was approved by DOIT:	Total amount of contracts: (Line 13 of Section 11.00 Applicability Test)
<b>C</b>	Description of Proposed Change (necessity, rationale and fiscal benefit for proposed contract/amendment):			
<b>D</b>	<b>Fund Source (specify) For Contract Cost Changes</b>	<b>Dollars in thousands</b>		
		<b>Current Year \$</b> (Fiscal year      )	<b>Budget Year \$</b> (Fiscal year      )	<b>Out Years \$</b> (Fiscal year      )
	Reimbursements			
	<b>TOTAL</b>			
<b>E</b>	<b>Costs/Benefits of Change</b>	<b>Current Year</b> (Fiscal year      )	<b>Budget Year</b> (Fiscal year      )	<b>Out Years (till end of contract)</b> (Fiscal year      )
	Fiscal Benefits of Change			
<b>F</b>	Department Director's Signature	Date:	Budget Officer's Signature	Date:

Department of Finance Use Only

<b>APPROVALS:</b>			
TIRU PBM:			Date:
Program Budget Manager:			Date:
Transmitted to Legislature:	Date:	30 days waiver requested:	Yes: <input type="checkbox"/> No: <input type="checkbox"/>

## **Section 11.00 Application Instructions**

- A. Enter the Department Name, current Date, the budget Item Number, and Fiscal Year.
- B. Enter the Information Technology Project Title/Description for the information technology contracts or contract amendments that are the subject of this Section 11.00 Application.

Enter the date of Initial Project Approval (Feasibility Study Report) by the Department of Information Technology, and the date of the Last Project Amendment Approval (Special Project Report) by the Department of Information Technology.

Enter the Total Amount of Contracts since the last approval (capture this amount from line 13 on your completed Section 11.00 Applicability Test.)

- C. Give a brief Description of the Proposed Change including the necessity and rationale for the proposed contracts or contract amendments.
- D. By funding source (e.g., general fund, special fund and reimbursements) indicate the dollar amount of change requested for the Current Year, Budget Year, and the total of all Out Year augmentations associated with the information technology contracts or contract amendments that are the subject of this Section 11.00 Application.
- E. Enter the Fiscal Benefits of Change as a result of the contract changes in the Current Year, Budget Year, and the total of all Out Years.
- F. Application must be signed and dated by the Department Director and Department Budget Officer before submittal.